

Service Area Plan

Department of Accounts

General Accounting (73701)

Service Area - General Accounting

Background Information

Service Area Description

The Department of Accounts (DOA) maintains the official accounts for the Commonwealth in the Commonwealth Accounting and Reporting System (CARS). Deposit and disbursement transactions are entered by agencies on-line during the workday and computer edited against authorized spending levels in nightly batch runs. A daily reconciliation of the state's cash position in the books of the Comptroller to the books of the State Treasurer is performed. Various accounting reports are generated for use by agency and DOA staff to reconcile the accounts each day and identify and resolve any discrepancies that are identified. All disbursements of public funds must be processed through CARS. This service area also includes management of the state-aid-intercept program.

Appropriation Control

This service involves the internal control procedures used by state government to enforce compliance with appropriation law. Following enactment of the Appropriation Act, two agencies become responsible for ensuring that appropriation law is followed. DPB authorizes the expenditure of appropriated funds through the allotment process, while DOA enforces this authorization through the automated edits and manual procedures that support the general ledger. This service area includes the preparation of year-end reconciliations that account for all expenditures as authorized in the Appropriation Act.

Support Locality Revenue Deposits

DOA has general oversight for deposit reconciliation for all sources of state revenue. However, a separate service involves the processing of deposits from local governments and the court system. Given the many different administrative environments found among local governments and the various state courts, DOA has assumed a higher level of processing responsibility for these deposits. Each month DOA handles an average of 33,000 local deposit certificates that account for between \$55 million and \$70 million in state receipts. Following a decentralization initiative begun in early 2003, entry of these deposit transactions into the central accounting system is largely executed by localities. A related responsibility is the monthly summarization and certification of recordation taxes, a portion of which are ultimately due to localities. This service also includes procedures for refunding forfeited bail bonds as ordered by a court.

Interest Calculation

Virginia statutory and appropriation law frequently allocates interest income earned by the Treasurer to specific non-general funds. This requires detailed calculations and record keeping necessary to allocate interest and demonstrate compliance with the related legal provisions.

Debt Setoff Program

Section 2.2-4806 of the Code authorizes the recovery of overdue debts owed the Commonwealth from suppliers for amounts to be paid for procured goods and services. This is a debt setoff program similar to that used by Tax to recover debts from state tax refunds. Since its inception in 1991 through FY 2002 this program has recovered in excess of \$47.8 million in overdue debts owed the Commonwealth.

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Loan, Line of Credit and Grant Coordination

The Appropriation Act provides for intra-governmental loans and lines of credit from the Treasury to support state programs that are anticipating non-general funds from federal grants and contracts, bond sales, and similar situations. The Comptroller's office is responsible for development of procedures for agencies to follow in applying and justifying such requests. DOA must administer these financial transactions including interest calculation, timing of repayment, and proper accounting and reporting. This service includes the processing of state grants to non-state agencies as authorized by the Appropriation Act and regulated by DPB.

Financial Electronic Data Interchange (FEDI)

FEDI increases administrative efficiency and reduces costs through the replacement of check payments with automated transactions. The program was implemented in 1994. The Commonwealth has over eleven thousand trading partners accepting electronic payments including vendors, localities, state agencies/employees and grant recipients.

Revenue Report

A report is prepared monthly to report General Fund and Lottery revenue collections tracked against the latest official revenue forecast. Comparative data on the various revenue sources are provided reflecting actual revenues collected for the month and year-to-date compared to collections for the same period in the previous fiscal year. The percentage change in revenues for the month and year-to-date are also compared to the percentage change required by the revenue estimate.

Distributions to Local Governments

The State Comptroller is mandated by law to distribute certain funds to local governments. Such distributions include funds allocated to localities pursuant to the sales and use tax based upon school age population, a percentage of ABC profits based on total population, and recordation tax for which the total distribution is fixed but each locality's share is based upon their collections compared to total collections.

Personal Property Tax Relief Act (PPTRA)

DOA disburses funds to local governments pursuant to the Personal Property Tax Relief Act.

Agency Accounting/Internal Control Oversight

As the Commonwealth's central accounting agency, DOA develops and promulgates accounting and internal control policies and procedures. In this role, DOA oversees each agency fiscal office in the Commonwealth. These responsibilities include publication of the Commonwealth Accounting Policies and Procedures Manual, preparation and publication of year-end closing procedures, development of agency fiscal officer training, conducting quality control analytical procedures, and development of an agency risk management and internal control standards including best practices for internal control policies and procedures for state agencies.

Service Area Alignment to Mission

The General Accounting service area directly supports the mission of the agency by ensuring the integrity of the general ledger system and providing a uniform system of accounting.

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Service Area Statutory Authority

The Code of Virginia establishes the basis for statewide general accounting. The following are the main code sections that apply:

The Comptroller shall...maintain a complete system of general accounting to comprehend the financial transactions of every state department...all unsettled accounts on the books of the Comptroller shall be balanced on the last day of each fiscal year and the balances brought forward for this purpose there shall be a general ledger of accounts which shall show the balances due to or from the Commonwealth. (§2.2-802, §2.2-809)

The Comptroller shall...maintain unified accounting and control (by) prescribing what accounts are to be kept by each agency, in addition to the system of general accounting maintained by the Comptroller. (§2.2-803)

Service Area Customer Base

Customers	Served	Potential
Localities	330	330
State Agencies & Institutions	230	230

Service Area Products and Services

- This service area provides all accounting reports for state agencies through the CARS system.

Factors Impacting Service Area Products and Services

The ability to attract and retain talented employees to handle the complex issues that DOA must address. The impact of new Code and accounting requirements on our system and business.

Anticipated Changes to Service Area Products and Services

We anticipate enhancements to our systems identified through analysis and enhancements which will be required to meet new Code or accounting requirements.

Service Area Financial Summary

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$1,206,497	\$0	\$1,206,497	\$0
Changes to Base	\$91,698	\$275,000	\$91,698	\$275,000
SERVICE AREA	\$1,298,195	\$275,000	\$1,298,195	\$275,000

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Service Area Objectives, Measures, and Strategies

Objective 73701.01

Ensure cash in CARS and cash in the Treasurer's system are reconciled.

Each time an edit is run in CARS a reconciliation of cash is prepared. This is prepared within one business day of the edit. This reconciliation compares the cash recorded in CARS with that recorded with the Treasurer of Virginia. Correcting journal entries are prepared for each discrepancy identified.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73701.01.10**

Percentage of reconciliations occurring within one business day of each CARS edit.

Measure Type: Outcome

Measure Frequency: Other

Measure Baseline: 100 %, FY 2005

Measure Target: 100%, 2006-2008 biennium

Measure Source and Calculation: General accounting maintains this data.

Objective 73701.01 Has the Following Strategies:

- Prepare a cash reconciliation after every edit was run.

Objective 73701.02

Enhance Commonwealth Internal Controls.

The development of a comprehensive ERM directive is intended to communicate the current best practices regarding the adequacy of internal control policies and procedures. This directive will also provide the tools to assist agency management with this initiative. Enhance agency reconciliation and general ledger analysis processes.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73701.02.01**

Publication of a statewide directive on Enterprise Risk Management.

Measure Type: Output

Measure Frequency: Annually

Measure Baseline: Publication of an ERM directive

Measure Target: Publication of an ERM directive

Measure Source and Calculation: This measure will be met when the directive is published.

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- **Measure 73701.02.02**

Percent of agency identified reconciliation discrepancies resolved in one month.

Measure Type: Outcome

Measure Frequency: Monthly

Measure Baseline: 100%, FY 2005

Measure Target: 100%, 2006-2008 biennium

Measure Source and Calculation: Agency exception registers.

- **Measure 73701.02.03**

Percent of all general ledger anomalies identified and resolved within one month.

Measure Type: Outcome

Measure Frequency: Monthly

Measure Baseline: 100%, FY 2005

Measure Target: 100%, 2006-2008 biennium.

Measure Source and Calculation: The General Accounting quality assurance general ledger review process identifies anomalies that are reported to agencies for corrective action. Anomalies corrected is divided by those reported.

Objective 73701.02 Has the Following Strategies:

- The strategy for establishing a directive related to ERM is to enhance awareness of internal controls in the Commonwealth and to provide the tools that agencies can utilize.

Objective 73701.03

Execute fiscal year-end close.

There is a complex series of tasks to perform in order to close the books of the Commonwealth at year end. These steps occur after agencies no longer have access to the systems. These tasks are to be performed by early August in order for all financial reports can be produced in the times required by state law.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73701.03.11**

Close the books of the Commonwealth by August 1 each year.

Measure Type: Outcome

Measure Frequency: Annually

Measure Baseline: August, 2005.

Measure Target: August, 2006-2008 biennium

Measure Source and Calculation: General accounting maintains this data.

Objective 73701.03 Has the Following Strategies:

- Proper planning and coordination will ensure that the closing of the books occurs every year by the designated date.

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Objective 73701.04

Analyze and report general fund revenues.

Prepare the monthly general fund revenue report to provide the Secretary of Finance and other decision makers with up to date information related to the collection of revenue in the Commonwealth.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73701.04.00**

Percent of time the general fund revenue report is prepared within two business days after the CARS mo

Measure Type: Output

Measure Frequency: Monthly

Measure Baseline: 100%, FY2005.

Measure Target: 100%, 2006-2008 biennium

Measure Source and Calculation: The general fund revenue report is posted on the Secretary of Finance web site on a monthly basis.

Objective 73701.04 Has the Following Strategies:

- Enhance the integrity of the financial information provided to decision makers by reviewing and publishing the monthly revenue report.

Objective 73701.05

Process legislatively mandated distributions to localities.

There are five different distributions to localities required by the Code of Virginia. These include:

- Tennessee Valley Authority
- Recordation Tax
- ABC net profits and wine tax
- Rolling Stock
- Sales Taxes for qualified facilities

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73701.05.04**

Percent of distributions to local governments processed by legislated time frames.

Measure Type: Outcome

Measure Frequency: Annually

Measure Baseline: 100%, FY2005.

Measure Target: 100%, 2006-2008 biennium

Measure Source and Calculation: General Accounting maintains the data for this measure.

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Objective 73701.05 Has the Following Strategies:

- Prepare a plan to ensure that all distributions to localities are made in accordance to the law.

Objective 73701.06

Resolve CARS error file transactions.

CARS has many edits that ensure that transactions post in accordance the accounting policies of the Commonwealth. When transactions do not meet criteria required, they are posted to an error file. This error file must be analyzed and action must be taken to correct the error.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

• Measure 73701.06.05

Percent of all CARS error file transactions resolved within one business day.

Measure Type: Output

Measure Frequency: Annually

Measure Baseline: 95%, FY2005.

Measure Target: 95%, 2006-2008 biennium

Measure Source and Calculation: General accounting maintains this data.

Objective 73701.06 Has the Following Strategies:

- Review the error file after every edit is run to ensure that error file transactions are resolved timely.

Objective 73701.07

Calculate and record interest due to non-general funds.

Legislation requires that interest be calculated on non-general funds based on cash balances on hand. Interest is calculated by on interest being earned on investments of the non-general funds by the Treasurer's office. On a quarterly basis, the interest earned by the non-general fund is calculated and posted to the fund.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

• Measure 73701.07.06

Percent of interest postings that occur within 30 days of the close of each quarter.

Measure Type: Outcome

Measure Frequency: Quarterly

Measure Baseline: 100%, FY2005.

Measure Target: 100%, 2006-2008 biennium

Measure Source and Calculation: General Accounting maintains this calculation.

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Objective 73701.07 Has the Following Strategies:

- Prepare schedule to ensure that interest is calculated in the time periods demanded.

Objective 73701.08

Ensure compliance with original legislative appropriations.

Original legislative appropriations are submitted to DOA by DPB. General accounting must review the transmission and verify that it is in accordance with the appropriations act as passed by the General Assembly.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73701.08.07**

Percent of time original legislative appropriations are recorded within 7 days.

Measure Type: Output

Measure Frequency: Annually

Measure Baseline: 100%, 2005.

Measure Target: 100%, 2006-2008 biennium.

Measure Source and Calculation: General accounting maintains this data.

Objective 73701.08 Has the Following Strategies:

- Communicate with DPB to ensure that DOA knows when budget transactions are sent to DOA for entry into CARS.